

Fund Source Report

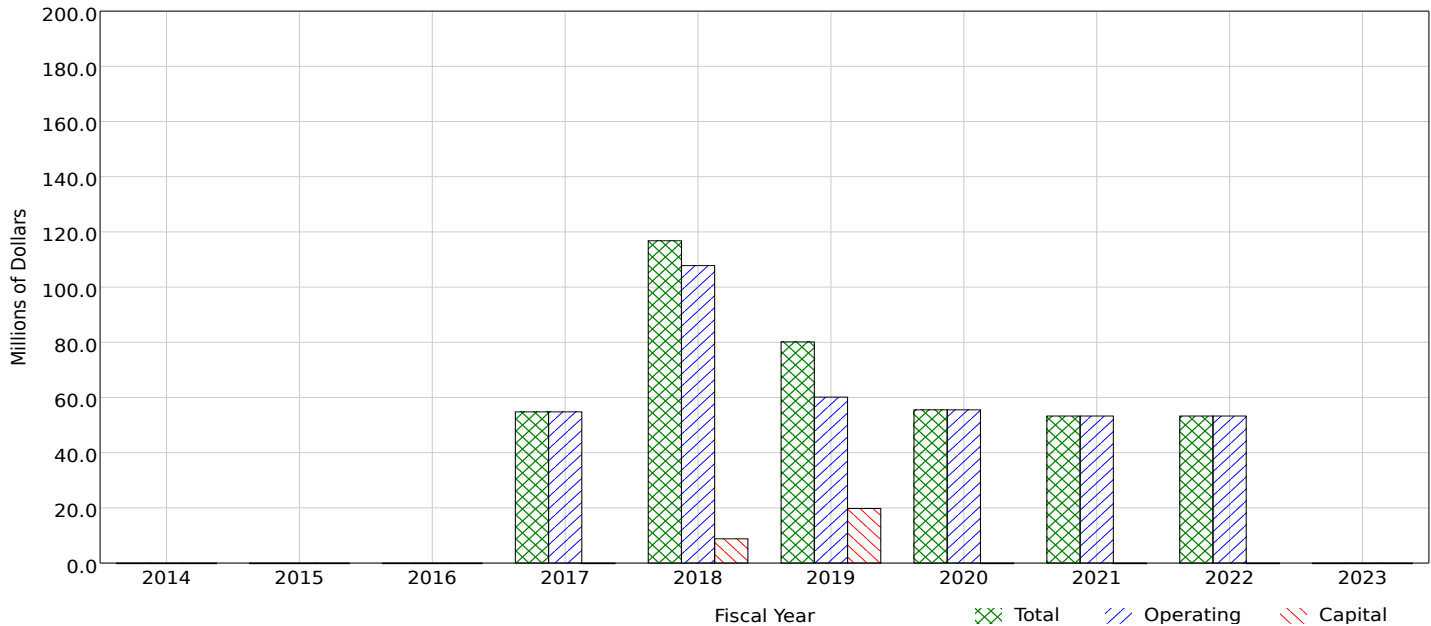
1248

ACHI Fund

Alaska Comprehensive Health Insurance Fund

Year Authorized 2016	Year Repealed	Active? Yes	Mental Health? No	Duplicated? No	Fund Group Designated General
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Operating and Capital Appropriations



Legal Authority
AS 21.55.430(a)

Source of Revenue

Premium taxes and associated revenue as specified in AS 21.09.210, AS 21.33.055, AS 21.33.061, AS 21.34.180 and AS 21.66.110, excluding premium taxes collected for workers' compensation policies (AS 23.05.067(e)). Sunsets end of FY18.

Restrictions on Use

The legislature may use the annual estimated balance in the fund to make appropriations to the Department of Commerce, Community and Economic Development to fund the reinsurance program under AS 21.55.

Description and History

The Division of Insurance annually collects approximately \$62 million in insurance premium tax receipts. Of that amount, about \$5 million associated with workers' compensation premium taxes goes to the Workers' Safety and Compensation Administration Account, which is used for operating costs of the Workers' Compensation Division within the Department of Labor and Workforce Development. Until FY16, the remaining \$57 million insurance premium tax receipts went to the unrestricted general fund.

Chapter 5, SSSLA 2016 (HB 374) established the Alaska Comprehensive Health Insurance (ACHI) fund. Under HB 374, surplus insurance premium tax receipts are deposited (without appropriation) into the ACHI fund. This reduces unrestricted general fund revenue by approximately \$57 million annually. With the adoption of HB 374, that revenue stream is classified as designated general funds and may be appropriated as DGF to the Department of Commerce, Community and Economic Development for the reinsurance program. In FY17, \$55 million was appropriated from the ACHI fund (via fiscal note) to the division for the reinsurance program, leaving \$2 million in the ACHI fund. ACHI appropriations will be removed from DCCED and placed in statewide operations as special appropriations.

The reinsurance program is intended to mitigate steep increases in individual health insurance premiums in Alaska by removing a portion of high risk individuals from the insurance pool. Under the program, Premiera, the State's only remaining health insurer in the individual market, will continue as the primary insurer and will seek reimbursement from the Alaska Comprehensive Health Insurance Fund for high-cost claims paid.

August 2017

The success of the program was immediately apparent when 2017 rates were released; the average rate increase for 2017 was 7.3%, which is a sharp drop from the nearly 40% increases in the prior two years.

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The reinsurance program went into effect on January 1, 2017 and is operated on a calendar year basis. The legislature approved the Governor's request to replace the FY17 appropriation to the Division of Insurance with a multi-year appropriation (FY17-FY18 for calendar year 2017) to address this timing issue.

During the legislative session, the Division of Insurance provided additional information regarding an application for a federal waiver of Section 1332 of the Patient Protection and Affordable Care Act. Upon approval of the application, the federal government would pay the State an amount equal to federal savings from lowered insurance premium subsidies for eligible Alaskans. The division received approval of the waiver on July 7, 2017. In response to negotiations with the federal government, the legislature appropriated an additional \$55 million from the ACHI Fund to the Reinsurance program for FY18-FY23 (multi-year) to match the term of the waiver. The legislature also added an open-ended appropriation of federal receipts received during FY18-FY23 (multi-year) to the Division of Insurance. Both of the FY18 appropriations were contingent on federal approval of the Section 1332 waiver. The contingent language was required to meet the federal eligibility requirement that Alaska's program be budget-neutral.

The \$55 million appropriated from the ACHI fund to the reinsurance program for FY18 through FY23 is expected to approximately cover program costs during that period. An actuarial analysis of anticipated state costs totaled approximately \$62 million. Depending on actual program costs, it is possible that the department will need to return to the legislature for appropriation of additional ACHI funds for the last years of the waiver.

Federal receipts will go directly to the division to cover reinsurance costs, thereby reducing the need for appropriation of additional premium tax receipts to the reinsurance program (through the ACHI fund). Federal contributions vary annually, and will be set based upon the annual "savings" to the federal government (the amount that they would not pay in premium subsidies). Department contributions are anticipated to be the difference between the federal contribution and the actual program cost.

There are two complicating factors: 1) The law establishing the ACHI fund sunsets at the end of FY18, so premium tax receipts will no longer flow automatically into the ACHI fund. The ACHI fund should retain a balance to ensure that state funding of the reinsurance program is available to supplement federal receipts. 2) The federal waiver is for a five-year period; however, because Alaska's Constitution prohibits obligation of future receipts, additional federal receipt authorization must be requested in each future year.